

1260.02 Credit Memos

Issued November 9, 2001

SUBJECT: Credit Memos

APPLICATION: Executive Branch Departments and Sub-units.

PURPOSE: To provide policies and procedures to allow users to create and post a credit memo for recovery of payment made to a vendor for damaged or returned goods.

CONTACT AGENCY: Office of Financial Management (OFM) and DMB - Office of Purchasing (OOP).

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SUMMARY: To use credit memo functionality, agencies must update their user security by adding document type CM-CM in ADPICS. An approval path has been established for the CM-CM document type to route all credit memos equal to or greater than \$100,000 to OFM for approval. Each agency must determine its desired internal approval path for credit memos and establish the approval path using the ADPICS 5985 Initiating Department Path Table Maintenance screen.

For specific instructions on entering credit memos into ADPICS, refer to *ADPICS Data Entry Guide*, Chapter 4.5 "Credit Memo Processing."

APPLICABLE FORMS:

PROCEDURES:

Agency Accounting Staff:

- Create a credit memo document using ADPICS 1700 Credit Memo Header Entry screen. If creating a credit memo against a Purchase Order (PO), contact your agency procurement office to determine if the PO is to be reopened. If the PO was closed in the prior fiscal year it should not be reopened.
- Add a signature block, as a term to the credit memo or notify the vendor via the notepad.
- "Post" the credit memo.
- If the credit memo is equal to or greater than \$100,000 the document will be routed to OFM for approval. Contact your OFM agency liaison accountant and provide background information on the business need for large credit memos.
- Sign the credit memo and if appropriate, mail a copy to the vendor. If greater than \$100,000 this should be done after OFM has approved the credit memo.
- If the credit memo process cannot be used, due to issues such as restocking fees and returns at discounts, alternative accounting treatments should be used, i.e., establish an account receivable. See OFM Accounting and Financial Reporting Manual, Chapter 11, Section 1, "Recording and Adjusting Receivables" for establishing receivables.

OFM Agency Liaison Accountant:

- Approve or reject via ADPICS 9210 Document Authorization Mailbox screen, any credit memo equal to or greater than \$100,000.
- If rejected, enter a note in the notepad advising the agency of the reason for rejection and enter liaison's name, telephone number, and the date.

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